



**KRIEGEL/GRAY/SHAW & CO., P.C.**

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**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2012**

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT COURT**

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**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT COURT**

OFFICIAL ROSTER  
JUNE 30, 2012

**JUDGES**

<i>Honorable Manuel I. Arrieta</i>	<i>Division I</i>
<i>Honorable Susan M. Riedel</i>	<i>Division II</i>
<i>Honorable Nelson Goodin</i>	<i>Division III</i>
<i>Honorable Jacinto Palomino</i>	<i>Division IV</i>
<i>Honorable Lisa C. Schultz</i>	<i>Division V</i>
<i>Honorable James T. Martin</i>	<i>Division VI</i>
<i>Honorable Douglas R. Driggers</i>	<i>Chief Judge, Division VII</i>
<i>Honorable Fernando R. Macias</i>	<i>Division VIII</i>

**ADMINISTRATIVE OFFICIALS**

<i>James H. Dempsey</i>	<i>Court Executive Officer</i>
<i>Claude Bowman</i>	<i>Chief Finance Officer</i>



**INDEPENDENT AUDITORS' REPORT**

Mr. Hector H. Balderas, State Auditor and  
Honorable Douglas R. Driggers, Chief Judge  
State of New Mexico  
Third Judicial District Court  
Las Cruces, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Third Judicial District Court, as of and for the year ended June 30, 2012, which collectively comprise the Court's basic financial statements as listed in the table of contents. We also have audited the financial statements of the Court's nonmajor governmental fund and the budgetary comparison for the nonmajor fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Third Judicial District Court, are intended to present the financial position, the changes in financial position, and the respective budgetary comparisons of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Third Judicial District Court. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas, State Auditor and  
Honorable Douglas R. Driggers, Chief Judge  
State of New Mexico  
Third Judicial District Court  
Las Cruces, New Mexico  
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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Third Judicial District Court, as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the nonmajor governmental fund of the Court as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparison for the nonmajor fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012, on our consideration of the Third Judicial District Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "other supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kriegel/Gray/Shaw & Co., P.C.*  
Kriegel/Gray/Shaw & Co., P.C.  
December 5, 2012

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

The following is a discussion and analysis of the State of New Mexico Third Judicial District Court's (the District Court's) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and with the District Court's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT**

**Government-Wide Highlights**

- The assets of the District Court exceeded its liabilities at the close of the fiscal year by \$463,620 (reported as net assets). Of this amount, \$225,521 (restricted net assets) must be used primarily for adult drug court activities and \$241,099 is invested in capital assets, net of related debt.
- The District Court's total net assets decreased in fiscal year 2012 by \$27,963, all of which are governmental activities. The District Court does not engage in business-type activities.

**Fund Highlights**

- At the close of fiscal year 2012, the District Court's governmental funds reported combined ending fund balances of \$391,121, a decrease of \$39,543 from the beginning of the year. This decrease was primarily due to reduction in state appropriations.

**Long-Term Debt**

- As in prior years, the Third Judicial District Court has not participated in the financing of capital assets through the sale of bonds or issuance of long-term notes. The only long-term debt incurred by the District Court is Accrued Compensated Absences. Compensated Absences decreased by \$18,406 (10%) during the fiscal year.

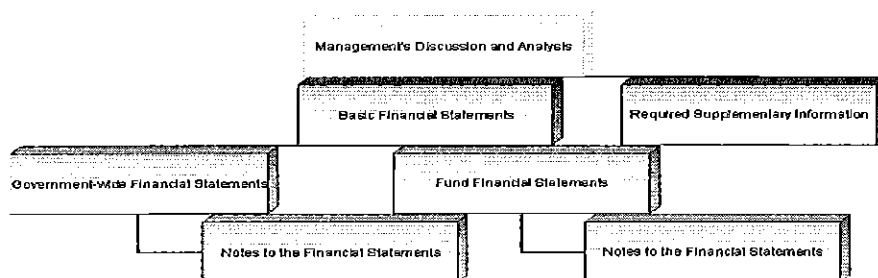
**OVERVIEW OF THE FINANCIAL STATEMENTS**

The District Court's annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and a section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the District Court:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District Court's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District Court, reporting the District Court's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services (the primary function of the District Court) were financed in the short-term as well as what remains for future spending or reversions.
  - Fiduciary fund statements provide information about the financial relationships in which the District Court acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and related to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in a single column in the basic financial statements.



**Figure 1. Required Components of the District Court's Annual Financial Report**

**Government-Wide Statements**

The government-wide statements report information about the District Court as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District Court's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District Court's net assets and how they have changed. Net assets (the difference between the District Court's assets and liabilities) are one way to measure the District Court's financial health or position.

- Over time, increases or decreases in the District Court's net assets are indicators of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District Court, you need to consider additional non-financial factors such as changes in the District Court's grant funding or the addition of a new program.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District Court's most significant funds, not the District Court as a whole. Funds are accounting devices that the District Court uses to keep track of specific sources of funding and spending for particular purposes. State law requires the establishment of certain funds. The State of New Mexico legislature establishes other funds to control and manage money for particular purposes or to show that it is properly using certain grants.

The District Court has two types of funds, Governmental and Fiduciary. The District Court does not have business-type activities and, therefore, does not maintain proprietary funds.

- **Governmental Funds**

Most of the District Court's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District Court's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

- **Fiduciary Funds**

The District Court is the trustee, or fiduciary, for bond, restitution and other deposits made with the District Court in compliance with District Court orders.

The District Court is responsible for those assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District Court is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District Court's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities and a statement of changes in fiduciary assets and liabilities. We exclude these activities from the District Court's government-wide financial statements since the District Court cannot use these assets to finance its operations.



**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

**Net Assets**

Net assets measure the difference between what the District Court owns (assets) and what the District Court owes (liabilities). Net assets may serve over time as a useful indicator of the District Court's financial position. The amount of total net assets is one measure of the health of the District Court's finances. This measure must be used with care because large portions of the balances related to capital assets that are unavailable to meet the day-to-day payments of the District Court.

The District Court's overall financial position and operations for the past year are summarized as follows based on the information included in the government-wide financial statements.

**State of New Mexico - Third Judicial District Court  
Assets, Liabilities and Net Assets as of June 30,**

	<u>Governmental Activities</u>		<b>Percent Change</b>
	<b>2012</b>	<b>2011</b>	
Current Assets	\$766,490	\$826,744	(7.3%)
Capital Assets	241,099	247,925	(2.7%)
<i>Total Assets</i>	<u>1,007,589</u>	<u>1,074,669</u>	(6.2%)
Current Liabilities	375,369	396,080	(5.2%)
Long-term Liabilities	168,600	187,006	(9.8%)
<i>Total Liabilities</i>	<u>543,969</u>	<u>583,086</u>	(6.7%)
Net Assets:			
Invested in Capital Assets	241,099	247,925	(2.7%)
Restricted Net Assets	222,521	243,658	(8.7%)
<i>Total Net Assets</i>	<u>\$463,620</u>	<u>\$491,583</u>	(5.7%)

The largest portion of the District Court's net assets, \$241,099 or 52.0%, represents capital assets. The District Court uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance of the District Court's net assets, \$222,521 or 48.0%, represents restricted net assets that may be used to meet the District Court's ongoing obligations to citizens and creditors. These assets may be used at the State's discretion but often have limitations on use based on state statutes.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year. As previously noted, the District Court does not engage in business-type activities and, therefore, only reports governmental and fiduciary activities.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

**State of New Mexico - Third Judicial District Court**  
**Changes in Net Assets**  
**For the Fiscal Years ended June 30,**

	<u>Governmental Activities</u>		<u>Percent Change</u>
	<u>2012</u>	<u>2011</u>	
Revenues			
Program Revenues			
Charges for Services	\$159,480	\$170,759	(6.6%)
Operating Grants and Contributions	417,700	437,700	(4.5%)
Capital Grants and Contributions	0	0	-
Grant Revenues			
State Appropriations	5,827,400	5,997,200	(2.8%)
Transfer in/out, net	179,009	199,861	(10.4%)
<i>Total Revenues</i>	<u>6,583,589</u>	<u>6,805,520</u>	(3.2%)
Expenses			
General Government	6,611,552	6,779,304	(2.5%)
<i>Total Expenses</i>	<u>6,611,552</u>	<u>6,779,304</u>	(2.5%)
Increase (Decrease) in Net Assets	(27,963)	26,216	(206.7%)
Net Assets, July 1	491,583	465,367	(5.6%)
<i>Net Assets, June 30</i>	<u>\$463,620</u>	<u>\$491,583</u>	(5.7%)

The Percent Change column shows the percentage change in operations from fiscal year 2011 to 2012 for each line item. The reader should be cautious when using this column to evaluate the overall change in net assets. Although a line may show a large percentage change, it may not have as significant effect as a change in a more material line item with a smaller percentage change.

General Revenues for the District Court consist primarily of State general fund appropriations. State general fund appropriations reported in fiscal year 2011 were \$5,997,200 and \$5,827,400 in 2012, a decrease of \$169,800. This decrease was the result of a general fund appropriation reductions reflecting declining state revenues and declining economic position statewide, as well as nationally.

Total expenses for the District Court are all categorized as Primary government/Governmental activities. The District Court does not participate in any business-type activities.

General government expenses decreased by \$167,752 from \$6,779,304 in fiscal year 2011 to \$6,611,552 in fiscal year 2012. This represents a decrease of 2.5% and is primarily due to constricted State budgets due to the economic climate statewide.

Depreciation expenses decreased from \$83,631 in fiscal year 2011 to \$82,065 in fiscal year 2012, a decrease of 1.8%.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

**FINANCIAL ANALYSIS OF THE STATE'S FUNDS**

**Governmental Funds**

As noted earlier, the District Court uses fund accounting to ensure and demonstrate compliance with legal requirements. The general government functions are contained in the General and Special Revenue funds. The focus of the District Court's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

**General Fund**

The general fund is the chief operating fund of the District Court. At June 30, 2012, the District Court's general fund reported a fund balance of \$137,847.

**Alternative Dispute Fund**

The Alternative Dispute (ADR) Fund is used to account for fees collected and expenses incurred pursuant to Section 34-6-45 of the New Mexico State Statutes. The District Court collects a fee of fifteen dollars on all new and reopened civil cases except domestic relations cases. The fee is deposited into the Alternative Dispute Resolution fund to be used to defray the cost of operating the District Court's Alternative Dispute Resolution program. The budget estimated the collection of \$50,000 in fees of which \$43,605 was actually collected. Total fund balance decreased by \$43,170 or 17.2% under the June 30, 2011 fund balance. The fund balance decrease is due to excess of expenditures over revenues. The budget allowed the use of fund balance up to \$50,000 of which only \$43,170 was used. This fund is non-reverting.

**Human Services Division Fund**

The Human Services Division Fund is used to account for the proceeds and related expenditures from an interagency agreement between the Court and the New Mexico State Department of Human Services pursuant to Section 40-4B-1 (Child Support Hearing Officer Act) of the New Mexico Statutes. The purpose of the Child Support Hearing Officer Act is to provide the personnel necessary to insure prompt and full payment by obligated parties of child support obligations for their dependent children and, where applicable, attendant spousal support obligations. All unexpended funds are reverted.

The contract from the New Mexico State Department of Human Services of \$417,700 in fiscal year 2012 was the same as it was in fiscal year 2011.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**Nonmajor Funds**

The District Court maintains one other fund listed on the Governmental Funds statements as a nonmajor fund - Mediation Fund.

The Mediation Program Fund is used to account for fees collected and expenses incurred pursuant to Section 40-12-4 of the New Mexico State Statutes. The District Court collects a surcharge of thirty dollars on all new and reopened domestic relations cases. Parents involved in domestic relations cases and utilize mediation services also pay a portion of the cost of domestic relations mediation pursuant to a sliding fee scale approved by the Supreme Court and is based upon the parent's ability to pay for the specific service rendered. Money in this fund is used to offset the cost of operating the domestic relations mediation program and the supervised visitation program. The Mediation Program fund balance increased from \$43,064 as of June 30, 2011 to \$46,720 as of June 30, 2012. The change of, \$3,656 represents an 8.48% increase over fiscal year 2011. Court fees decreased in 2012 to a total of \$65,553 a decrease of \$1,298, 1.9% due predominantly to a decrease in the number of cases. Fiscal year 2012 expenditures of \$61,897, indicates a decrease in spending compared with fiscal year 2011 expenditures of \$64,986 (decrease of \$3,089, 4.75%). The expenditures decrease was due to a decrease in mediation contractual services. This fund is non-reverting.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The State of New Mexico Legislature makes annual appropriations to the District Court for general operations and drug court programs. Additionally, appropriations are made to the Administrative Office of the Courts for the Court Appointed Special Advocate (CASA) and Water Adjudication programs that are then transferred to the District Court. The District Court's final fiscal year 2012 budget was \$6,105,686, which included funding of \$79,000 for CASA, \$130,700 for Water Adjudication, and \$32,500 in Liquor Excise Tax Funds for a portion of drug court costs, all of which are included in the General Fund.

During fiscal year 2012, the District Court's overall general fund revenue budget increased by \$6,086 or .1%. This was due to an increase in CASA of \$6,086.

The variance between the final budget and actual in the expenditures section of the General Fund budgetary comparison was a favorable \$38,236. This was primarily due to non-expenditure of contractual services.

All adjustments to the District Court's budget were made with the approval of the State Budget Division.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2012, the Third Judicial District Court had \$241,099 invested in capital assets, net of accumulated depreciation, including furniture, fixtures, equipment, data processing equipment, and vehicles (see table below). This amount represents a net decrease of \$6,826 or 2.7% over fiscal year 2011 figures. While governmental standards do not prescribe a minimum level for the capitalization of assets, the District Court has followed the Department of Finance and Administration's capitalization policy of \$5,000. This is the dollar value above which asset acquisitions are added to the capital accounts. As such, all capital assets with an original cost of less than \$5,000 that were purchased in the current fiscal year are not included on the reportable fixed asset list; however, remain on the physical inventory list for the District Court. During fiscal year 2012, the Court made only one purchase, a copier.

Depreciation charges for this fiscal year totaled \$82,065.

**State of New Mexico - Third Judicial District Court  
Capital Assets as of June 30**

	<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>	<u>Percent Change</u>
Furniture and Fixtures	\$285,469	\$258,507	10.4%
Equipment	794,437	746,160	6.4%
Data Processing	150,630	150,630	-
Vehicles	184,298	184,298	-
<i>Total</i>	\$1,414,834	\$1,339,595	5.6%

As part of GASB 34 implementation, the District Court depreciated its capital assets using the straight-line depreciation method for all assets for which depreciation is applicable as instructed by the Department of Finance and Administration. In determining the estimated useful life, the District Court considered the asset's class, present condition, use of the asset and how long the asset was expected to meet service and technology standards. In all cases, salvage value was assumed to be zero.

**Long-Term Debt**

As in prior years, the Third Judicial District Court has not participated in the financing of capital assets through the sale of bonds or issuance of long-term notes.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**Infrastructure Assets**

Infrastructure assets are defined as long-lived capital assets that are normally stationary in nature and that can normally be maintained for a significantly greater number of years than most capital assets. Infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. GASB 34 requires agencies with infrastructure assets to capitalize them and report major general infrastructure assets that were acquired in fiscal years ending after June 30, 1980, or that received major renovations, restorations or improvements during that period.

The Third Judicial District Court does not own any infrastructure assets and, as such, does not include any information under this heading.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Third Judicial District Court requested a total budget of \$6,929,400 for fiscal year 2013 for base budgets of all programs managed by the District Court including the General Court, Juvenile, Family Reunification and Adult Drug Courts, Water Rights Adjudication, Court Appointed Special Advocate Program, Alternative Dispute Resolution, Mediation and Human Services Division (Child Support Hearing Officer Program). The Court received \$6,929,400 for fiscal year 2013. The General Fund for fiscal year 2013 has been increased by \$238,200 over fiscal year 2012.

**CONTACTING THE DISTRICT COURT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, creditors and the general public with a general overview of the District Court's finances and to show the District Court's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Court Executive Officer, 201 W. Picacho, Las Cruces, New Mexico 88005 (575) 523-8283.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

**ASSETS**

**Current Assets:**

Investment in the State Treasurer General Fund Investment Pool	\$688,624
Petty cash	100
Uncollectible receivable	8,107
Due from other state agencies	69,665
Other current assets	(6)
<i>Total current assets</i>	<u>766,490</u>

**Noncurrent Assets:**

Capital assets	1,414,834
Less: accumulated depreciation	(1,173,735)
<i>Total capital assets, net of depreciation</i>	<u>241,099</u>
<i>Total noncurrent assets</i>	<u>241,099</u>

*Total assets* 1,007,589

**LIABILITIES**

**Current Liabilities:**

Accounts payable	102,491
Accrued payroll and payroll liabilities	218,946
Due to external parties	272
Due to State general fund	26,017
Due to State Treasurer's Office	27,643
<i>Total current liabilities</i>	<u>375,369</u>

**Long-Term Liabilities:**

Compensated absences - long term	168,600
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*Total liabilities* 543,969

**NET ASSETS**

Invested in capital assets	241,099
Restricted	222,521

*Total net assets* \$463,620

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
STATEMENT OF ACTIVITIES  
JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Judiciary	\$6,529,487	\$159,480	\$417,700	\$0	(\$5,952,307)
Depreciation expense - unallocated	82,065	0	0	0	(82,065)
<i>Total governmental activities</i>	<i>6,611,552</i>	<i>159,480</i>	<i>417,700</i>	<i>0</i>	<i>(6,034,372)</i>
<b>Business-type activities:</b>	0	0	0	0	0
<b><i>Total primary government</i></b>	<b><i>\$6,611,552</i></b>	<b><i>\$159,480</i></b>	<b><i>\$417,700</i></b>	<b><i>\$0</i></b>	<b><i>(\$6,034,372)</i></b>

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Change in Net Assets:</b>			
Net (expense) revenue	(\$6,034,372)	\$0	(\$6,034,372)
<b>General Revenues and Transfers:</b>			
State general fund appropriations	5,827,400	0	5,827,400
Transfers, net	204,814	0	204,814
Reversions to State General Fund - 2011	(25,967)	0	(25,967)
Miscellaneous revenue	162	0	162
<i>Total revenues and transfers</i>	<i>6,006,409</i>	<i>0</i>	<i>6,006,409</i>
<i>Change in net assets</i>	<i>(27,963)</i>	<i>0</i>	<i>(27,963)</i>
Net assets - June 30, 2011, as previously stated	491,583	0	491,583
<b><i>Net assets - June 30, 2012</i></b>	<b><i>\$463,620</i></b>	<b><i>\$0</i></b>	<b><i>\$463,620</i></b>

The Notes to Financial Statements are an integral part of these statements.



**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2012

	Major Funds				Total
	General Fund	Alternative Dispute Fund	Human Services Division Fund	Nonmajor Fund	
<b>ASSETS</b>					
Investment in the State Treasurer					
General Fund Investment Pool	\$424,365	\$215,330	\$0	\$48,929	\$688,624
Petty cash	100	0	0	0	100
Uncollectible receivable	8,107	0	0	0	8,107
Due from other state agencies	48	0	69,617	0	69,665
Other current assets	(6)	0	0	0	(6)
<b>Total assets</b>	<b>\$432,614</b>	<b>\$215,330</b>	<b>\$69,617</b>	<b>\$48,929</b>	<b>\$766,490</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$77,526	\$6,245	\$16,511	\$2,209	\$102,491
Accrued payroll and payroll liabilities	201,683	2,531	14,732	0	218,946
Due to State general fund	15,286	0	10,731	0	26,017
Due to State Treasurer - GF Investment Pool	0	0	27,643	0	27,643
Due to other funds	272	0	0	0	272
<b>Total liabilities</b>	<b>294,767</b>	<b>8,776</b>	<b>69,617</b>	<b>2,209</b>	<b>375,369</b>
<b>FUND BALANCES</b>					
Restricted for:					
Drug court	137,847	0	0	0	137,847
Arbitration	0	206,554	0	0	206,554
Mediation	0	0	0	46,720	46,720
<b>Total fund balances</b>	<b>137,847</b>	<b>206,554</b>	<b>0</b>	<b>46,720</b>	<b>391,121</b>
<b>Total liabilities and fund balances</b>	<b>\$432,614</b>	<b>\$215,330</b>	<b>\$69,617</b>	<b>\$48,929</b>	<b>\$766,490</b>

The Notes to Financial Statements are an integral part of these statements.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

<b>FUND BALANCE of Governmental Funds</b>	<b>\$391,121</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	241,099
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(168,600)
<b><i>Net assets of governmental activities</i></b>	<b><i>\$463,620</i></b>

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
**GOVERNMENTAL FUNDS**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Major Funds				Total
	General Fund	Alternative Dispute Fund	Human Services Division Fund	Nonmajor Fund	
<b>REVENUES</b>					
HSD contract revenue	\$0	\$0	\$417,700	\$0	\$417,700
Court fees	50,322	43,605	0	65,553	159,480
Miscellaneous revenue	150	0	12	0	162
<i>Total revenues</i>	<i>50,472</i>	<i>43,605</i>	<i>417,712</i>	<i>65,553</i>	<i>577,342</i>
<b>EXPENDITURES</b>					
Current:					
Personal services	5,058,398	62,405	366,051	0	5,486,854
Contractual services	637,159	24,370	968	46,318	708,815
Other costs	371,922	0	39,962	15,579	427,463
<i>Total expenditures</i>	<i>6,067,479</i>	<i>86,775</i>	<i>406,981</i>	<i>61,897</i>	<i>6,623,132</i>
<b>OTHER FINANCING SOURCES (USES)</b>					
State general fund appropriations	5,827,400	0	0	0	5,827,400
Transfers from (to) other state agencies	204,814	0	0	0	204,814
Transfers - reversion to State General Fund 2012	(15,236)	0	(10,731)	0	(25,967)
<i>Total other financing sources (uses)</i>	<i>6,016,978</i>	<i>0</i>	<i>(10,731)</i>	<i>0</i>	<i>6,006,247</i>
<i>Net change in fund balance</i>	<i>(29)</i>	<i>(43,170)</i>	<i>0</i>	<i>3,656</i>	<i>(39,543)</i>
Fund balance, beginning of year, as previously stated	137,876	249,724	0	43,064	430,664
<b><i>Fund balance, end of year - 6/30/2012</i></b>	<b><i>\$137,847</i></b>	<b><i>\$206,554</i></b>	<b><i>\$0</i></b>	<b><i>\$46,720</i></b>	<b><i>\$391,121</i></b>

The Notes to Financial Statements are an integral part of these statements.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
RECONCILIATION OF THE CHANGE IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**Net Change in Fund Balances - Governmental Funds** (\$39,543)

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays and depreciation in the current period are:

Depreciation expense	(82,065)
Capital outlay	75,239

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	18,406
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<b><i>Change in net assets of governmental activities</i></b>	<b><i>(\$27,963)</i></b>
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**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State general fund appropriations	\$5,827,400	\$5,827,400	\$5,827,400	\$0
Court fees	30,000	30,000	50,322	20,322
Federal grant	0	0	0	0
Other financing sources	242,200	248,286	204,964	(43,322)
<i>Total revenues</i>	<u>6,099,600</u>	<u>6,105,686</u>	<u>6,082,686</u>	<u>(23,000)</u>
<b>EXPENDITURES</b>				
Personal services	5,268,100	5,068,100	5,058,398	9,702
Contractual services	680,200	664,586	637,159	27,427
Other costs	151,300	373,000	371,893	1,107
<i>Total expenditures</i>	<u>6,099,600</u>	<u>6,105,686</u>	<u>6,067,450</u>	<u>38,236</u>
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$15,236	\$15,236

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$15,236
Adjustments for current year reversions	(15,236)
Adjustment for unrealized gains - investments	(29)
<u>Net change in fund balance</u>	<u>(\$29)</u>

The Notes to Financial Statements are an integral part of these statements.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
ALTERNATIVE DISPUTE RESOLUTION FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Court costs	\$50,000	\$50,000	\$43,605	(\$6,395)
<b>EXPENDITURES</b>				
Current:				
Personal services	90,000	64,500	62,405	2,095
Contractual services	10,000	35,500	24,370	11,130
Other costs	0	0	0	0
<i>Total expenditures</i>	100,000	100,000	86,775	13,225
<i>Excess (deficiency) of revenues over expenditures</i>	(50,000)	(50,000)	<u>(\$43,170)</u>	<u>\$6,830</u>
Budgeted fund balance	50,000	50,000		
	\$0	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$43,170)
Adjustments for current year reversions	0
Adjustment for unrealized gains - investments	0
<b>Net change in fund balance</b>	<b>(\$43,170)</b>

The Notes to Financial Statements are an integral part of these statements.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
HUMAN SERVICES DIVISION FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Other financing sources	\$420,200	\$420,200	\$417,712	(\$2,488)
<b>EXPENDITURES</b>				
Current:				
Personnel services	395,500	379,000	366,051	12,949
Contractual services	1,000	1,000	968	32
Other costs	23,700	40,200	39,962	238
<i>Total expenditures</i>	420,200	420,200	406,981	13,219
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$10,731	\$10,731

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$10,731
Adjustments for current year reversions	(10,731)
<b>Net change in fund balance</b>	<b>\$0</b>

The Notes to Financial Statements are an integral part of these statements.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
AGENCY FUNDS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2012

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$2,080,205
Due from general fund	1,356
Due from other funds	273
<b><i>Total assets</i></b>	<b><i>\$2,081,834</i></b>
<b>LIABILITIES</b>	
Deposits held in custody for others	\$2,081,834
<b><i>Total liabilities</i></b>	<b><i>\$2,081,834</i></b>

The Notes to Financial Statements are an integral part of these statements.



**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Third Judicial District Court (District Court) operates under Section 34-6-1 through 34-6-3, 34-6-6, and 34-6-17 through 34-6-46, NMSA, 1978 Compilation. The Third Judicial district covers Dona Ana County. The Third Judicial District Court is the state court of general jurisdiction and is authorized to hear and determine all civil and criminal cases that are not specifically exempted from its jurisdiction. Financing of the court is by state appropriation.

The accounting policies of the Third Judicial District Court conform to generally accepted accounting principles (GAAP) as applicable to governments.

**Reporting Entity**

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential components units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District Court has no component units, and is not a component unit of another governmental agency.

**Basis of Accounting**

The accounts of the District Court are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled.

The various funds are grouped into two broad fund categories and two generic fund types as follows:

**Governmental Fund Type**

**General Fund** - The General Fund is the general operating fund of the District Court. It is used to account for all financial resources except those required to be accounted for in another fund. Any unencumbered balance remaining in the General Fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico with the exception of certain fees generated by the court, certain contracts related to grants of another agency and appropriations related to capital projects. The SHARE number for the General Fund of the District Court is 14300. Because reverting and non-reverting funds are in the same fund class coding in the SHARE system is used to identify each type.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Alternative Dispute Resolution Fund – The Alternative Dispute Resolution Fund is used to account for proceeds from surcharges on all civil cases except for domestic relations and children’s cases. These fees do not revert to the State of New Mexico; rather they are used to provide arbitration for civil cases except for domestic relations and children’s cases. The authority to establish the fund is NM State Statute 34-6-45. The Third Judicial District Court has determined this fund to be a major fund whose SHARE number is 87700.

Human Services Division Fund – The Human Services Division Fund is used to account for the proceeds from state grants through the New Mexico State Department of Human Services and the expenditures there from. These funds are used to provide for the enforcement of child support payments and prohibitions against domestic violence. Any unencumbered balance remaining is reverted to the General Fund of the State of New Mexico. The authority for the creation and maintenance of the fund is given under New Mexico State Statute 40-4b-1. The Third Judicial District Court has determined this fund to be a major fund whose SHARE number is 92400.

Mediation Program Fund – The Mediation Program Fund is used to account for proceeds from surcharges on domestic filing fees. The authority for the creation and maintenance of the fund is given under New Mexico State Statute 40-12-5. These fees are used to provide mediation services and counseling for cases involving children or contested divorces. These funds do not revert to the State of New Mexico. The Third Judicial District Court has determined this fund to be a nonmajor fund whose SHARE number is 92300.

Fiduciary Funds

Agency Funds – Agency Funds are used to account for assets held by the District Court in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Litigant’s Fund – These monies are amounts collected from persons involved in pending lawsuits. The court has custody and, if directed by the court, may invest these monies until refunded to litigants. The interest earned, if stated in the court order, is refunded and, if not stated, the interest earned is transferred to the state general fund.

**Basis of Presentation - Fund Accounting**

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District Court, the primary government, as a whole, without displaying individual funds or fund types. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District Court. The District Court has no business-type activities; therefore, these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Private-sector standards of accounting and financial reporting (FASB pronouncements) issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Non-exchange transactions, in which the Court gives (or receives) value without directly receiving (or giving) equal value in exchange include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Program revenues derive directly from the program itself or from parties outside the court or citizenry, as a whole; they reduce the net cost of the function to be financed from the court's general revenues. These statements report three categories of program revenues as follows:

Charges for service, which arise from charges to customers or applicants who purchase, use or directly benefit from the service provided. The Court charges for various court costs.

Operating grants and contributions arising from other governments, organizations, or individuals that are restricted for use in a particular program. The category includes contract receipts received for the operations of the Juvenile Drug Court and Family Dependency Court.

Capital grants and contributions arising from other governments, organizations, or individuals that are restricted for capital purposes - to purchase, construct or renovate capital assets associated with a specific program. This category consists of state capital outlay bonds received by the Court.

It is the Court's policy to first apply restricted resources (grant funds) when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**Fund Financial Statements**

The governmental fund and agency fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, revenues are recognized in the accounting period in which they become available and measurable; expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay current liabilities of the current period.

Those revenues susceptible to accrual are federal and state grants and as such are recognized in the accounting period when they become both measurable and available. A reconciliation is provided with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Assets, Liabilities, and Equity**

**Cash and Investments**

The District Court cash and cash equivalents are considered to be demand deposits, savings accounts and certificates of deposits.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. The court defines capital assets as assets with lives of greater than one year and a cost or donated value of \$5,000 or greater. The court includes software in capital assets under the data processing category.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Furniture and fixtures	10 years
Equipment and machinery	5 years
Automotive	5 years
Data Processing	3 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Equity

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The District Court has no outstanding debt relating to capital assets.
2. Restricted net assets, consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as:

Nonspendable Fund Balance – includes amounts that by their nature are not expendable such as inventories, prepaids and long-term notes receivable.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Restricted Fund Balance – includes amounts that have constraints placed on their use which are:

externally imposed by:

- Creditors (such as debt covenants)
- Grantors
- Contributors
- Laws or regulations of other governments (state and federal)

The Court does not have unassigned fund balance because all unassigned unexpended funds revert back to the State General Fund.

**Budgets and Budgetary Accounting**

The District Court follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1<sup>st</sup>, the District Court submits to the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1<sup>st</sup>. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
3. The Governor of the State of New Mexico within the legally prescribed time limit signs the Act into law.
4. The District Court submits, no later than May 1<sup>st</sup>, to DFA an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA - Budget Division reviews and approves the operating budget, which becomes effective on July 1<sup>st</sup>. The Director of the DFA - Budget Division must approve all subsequent budget adjustments. The budget for the current year was amended in a legal manner.
5. Legal budget control for expenditures is by expenditure category.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
7. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) modified accrual basis. The District Court changed its method of budgeting for the fiscal year ending June 30, 2012 to the modified accrual basis from a non-GAAP method where encumbrances are treated as expenditures. The budget for this State Agency is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next years budget.
8. Appropriations lapse at the end of the fiscal year. All unexpended amounts within the General Fund revert to the State General Fund.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accrued Annual Leave**

Qualified employees accumulate annual leave as follows:

Years of Service	Hours Earned Per Month
Less than 3 years	10
Over 3 - 7 years	12
Over 7 - 14 years	14
14 years and greater	16

A maximum of 240 hours of accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums.

**NOTE 2. CASH/INVESTMENTS**

**Investment in the State Treasurer General Fund Investment Pool**

State law (Section 8-6-3 NMSA 1978) requires the District's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the District consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office. The State Treasurer issues separate financial statements that disclose the collateral pledged to secure their deposits.

The State Treasurer has the authority to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through O, NMSA 1978 as amended.

**General Fund Investment Pool Not Reconciled**

In June 2012 an independent diagnostic report revealed that the State of New Mexico's General Fund Investment Pool has not been reconciled since the implementation of the Statewide Human resources, Accounting, and management REporting system (SHARE) in July of 2006. The Department of Finance and Administration (DFA) is the agency responsible for the reconciliation pursuant to state law. The Department of Finance and Administration has commissioned two reports that address statewide cash reconciliation issues. They are (1) *Current State of Diagnostic of Cash Controls*, dated June 20, 2012 prepared by Deloitte Consulting, LLP and (2) *Cash Management Plan and Business Processes*, dated October 11, 2012, also prepared by Deloitte Consulting, LLP. The Diagnostic reports are available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 2. CASH/INVESTMENTS (CONTINUED)**

DFA has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer’s Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert. The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State’s current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. These changes should allow reconciliation on a *point-forward basis only*. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The Court’s general operating bank account is under the oversight of the State Treasurer’s Office. Since SHARE was implemented, the Court has performed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are, in fact, transactions that have been initiated by the Court. The reconciliation occurs each month and any required adjustments are addressed with the Financial Control Division at DFA and corrected. Monthly reconciliation procedures throughout the Fiscal Year, include, but are not limited to validation of deposits, expenditures, all general entries, operating transfers, and payroll expenditures/liabilities by fund. This monthly internal reconciliation of cash receipts and disbursements flowing through the Court’s share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition the Court reconciles other assets and liability accounts on the Balance Sheet of each fund. This process also provides additional assurance that transactions affecting the Court’s share in the State General Fund Investment Pool account are accurate.

The amounts held in trust for other parties are insured and collateralized as follows:

	Bank of the West	Citizens Bank
Balance per Bank:		
Demand deposits – interest bearing	\$1,307,715	\$3,588
Time deposits	0	0
	1,307,715	3,588
FDIC Coverage	(250,000)	(3,588)
Uninsured balance	1,057,715	0
50% collateral requirement	528,857	0
Pledged securities	54,337,650	0
Over (under) collateralized	\$53,808,793	\$0

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

**NOTE 2. CASH/INVESTMENTS (CONTINUED)**

**Pledged Collateral**

<b><u>Bank of the West</u></b>			<b><u>Par Value/ Market Value</u></b>
Bernalillo NM Mun Sch Di	085279NJ2	08/01/2017	\$500,000
Bernalillo NM Mun Sch Di	085279NL7	08/01/2019	525,000
G2 4833	36202FLN4	10/20/2040	2,387,434
G2 4945	36202FP67	02/20/2041	10,354,127
G2 737851	3620ARWL1	01/20/2041	33,689,596
G2 752599	36230L3G2	10/20/2040	6,881,493
<b><i>Total Pledged</i></b>			<b>\$54,337,650</b>

Securities are held at Wells Fargo Bank.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. The Court does not have a deposit policy for custodial credit risk. As of June 30, 2012, \$1,057,715 of the Court's bank balances of \$1,311,303 were exposed to custodial credit risk as follows:

Uninsured and collateralized held by a member bank other than the depositing bank.	\$1,057,715
--	-------------

The District Court's deposits at year-end were covered by federal depository insurance or by collateral held in the financial institution's name. The collateral is placed in safekeeping and pledged to the District Court. The District Court invests all money in interest or non-interest bearing savings accounts, checking accounts, certificates of deposit, and short-term investment funds held by the State of New Mexico Treasurer.

Section 6-10-16, NMSA 1978 Compilation requires that fifty percent of the balance not covered by FDIC or FSLIC to be pledged. If the securities pledged are U.S. government securities, they are pledged at market value; if they are New Mexico municipal bonds, they are pledged at par value. The State Treasurer issues separate financial statements that disclose the collateral pledged to secure the short-term investment deposits and the categories of risk involved.



**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 2. CASH/INVESTMENTS (CONTINUED)**

**\*\*The Litigant Agency Funds are in the State Investment Pool, which is not rated, although the securities within the pool are rated.**

- a. The investments are valued at fair value based on quoted market prices as of the valuation date;
- b. The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds with the advice and consent of the State Board of Finance in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10 1A and E, NMSA 1978.
- c. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts fund were invested; and
- d. Participation in the local government investment pool is voluntary.
- e. Separately issued financial statements are available from the New Mexico State Treasurer that does disclose the collateral pledged to secure State Treasurer cash and investments.

<u>Litigant's Fund – LGIP</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Credit Risk- Rating</u>	<u>Weighted Average Maturity Days</u>
State Investment Pool** - LGIP	\$778,810	\$778,810	AAAm	60
State Investment Pool – Reserve Contingency Fund	272	0		♦
	<b>\$779,082</b>	<b>\$778,810</b>		

♦ The Reserve Contingency Fund was established from the State Investment Pool LGIP's remaining position in the Reserve Primary Fund. The Reserve Contingency Fund, which is not rated, is a non-performing asset and, as such, a WAM cannot be calculated. The remaining balance of the fund has been written off based on the State of New Mexico's determination that it is doubtful that any further distributions will be made from Reserve Contingency Fund. An unrealized loss of \$29 was recorded in the general fund as well as a due to the Litigant's Fund for the same amount.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

**NOTE 3. DUE TO STATE OF NEW MEXICO**

As of June 30, 2012, the amount due to the State is \$26,017. This amount is composed of the following:

	Agency #	Fund #	Reversions	Other	Total
<b>General Fund:</b>					
2012 Fiscal Year	34101	85300	\$15,236	\$50	\$15,286
2012 Fiscal Year – HSD	63000	05200	10,731	0	10,731
			\$25,967	\$50	\$26,017

**NOTE 4. DUE FROM/TO OTHER FUNDS**

Due From/To Other Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” All balances are expected to be repaid within one year.

	Due to:
	<u>General Fund</u>
<b>Due From:</b>	
Litigant’s Fund	\$272

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Furniture and fixtures	\$258,507	\$26,962	\$0	\$285,469
Equipment	746,160	48,277	0	794,437
Data processing	150,630	0	0	150,630
Vehicles	184,298	0	0	184,298
<i>Totals</i>	<u>1,339,595</u>	<u>75,239</u>	<u>0</u>	<u>1,414,834</u>
 Less Accumulated Depreciation:				
Furniture and fixtures	(138,610)	(23,252)	0	(161,862)
Equipment	(636,212)	(51,501)	0	(687,713)
Data processing	(150,630)	0	0	(150,630)
Vehicles	(166,218)	(7,312)	0	(173,530)
<i>Total accumulated depreciation</i>	<u>(1,091,670)</u>	<u>(82,065)</u>	<u>0</u>	<u>(1,173,735)</u>
<i>Net Capital Assets</i>	<u>\$247,925</u>	<u>(\$6,826)</u>	<u>\$0</u>	<u>\$241,099</u>

Depreciation expense for the year is \$82,065.

**NOTE 6. OPERATING LEASES**

The District Court has the following leases, which can be terminated due to lack of funding from the legislature with no penalty to the agency.

Hasler, Inc. lease for postal equipment for \$365 per month. This lease is annually renewable.

Pure Water lease for water dispensers for \$54 per month on a month-to-month basis.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

*Plan Description.* Substantially all of the Third Judicial District Court's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 8.92% (ranges from 3.83% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Third Judicial District Court is required to contribute 15.09% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Third Judicial District Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Third Judicial District Court's contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$409,645, \$452,458, and \$498,005, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 8. PENSION PLAN – JUDICIAL RETIREMENT ACT (JRA)**

*Plan Description* – Substantially all of the Third Judicial District Court Judges or Justices participate in a judicial retirement system authorized under the Judicial Retirement Act (10-12B-1 TO 10-12B-19 NMSA 1978). The retirement board provided for in the Public Employee Retirement Act is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy* – Plan members, while in office, shall contribute 9% of their gross salary to the member contribution fund. The Third Judicial District Court shall contribute 10.5% of salary for each member in office to the fund. The contribution requirements of plan members and the Third Judicial District Court are established in state statute under Chapter 10, Article 12B-10 and 12B-11 NMSA 1978. The requirements may be amended by acts of the legislature. The Third Judicial District Court contributions to JRA for the years ending June 30, 2012, 2011, and 2010 were \$69,283, \$83,990, and \$90,346, respectively, equals to the amount of required contributions for the year.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

**NOTE 9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

*Plan Description.* Third Judicial District Court contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, New Mexico 87107.

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013, the contribution rates for employees and employers will rise as follows:

- (1) For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 13	2.000%	1.000%

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)**

(2) For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 2.292% of each participating employee’s annual salary, and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending June 30, 2013, the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 13	2.500%	1.250%

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Third Judicial District Court’s contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$74,556, \$68,640 and \$54,109, respectively, which equal the required contributions for each year.

**NOTE 10. RISK OF LOSS**

The District Court’s Office is insured through the Risk Management Division of the General Services Department, which is accounted for as an internal service fund of the State of New Mexico. In general, Risk Management Division responds to suits against the State and state agencies, manages funds to provide unemployment compensation, tort liability insurance, workman’s compensation, general and property insurance, and attempts to reduce the number of suits against the State and state agencies through the risk management process. The actuarial gains and losses of Risk Management Division were not available and are not included in this report. However, the District Court is not liable for more than the premiums paid.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

**NOTE 11. LONG-TERM LIABILITIES**

The Court did not have any debt at any time during the fiscal year ended June 30, 2012, except for compensated absences.

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Compensated absences	\$187,006	\$133,751	\$152,157	\$168,600	\$0

The Court uses current operating funds (general fund) classified as wages and salaries to liquidate accrued compensated absences.

**NOTE 12. INTER AGENCY TRANSFERS**

	Agency #	SHARE Fund #	Agency #	SHARE Fund #	
	FROM		TO		AMOUNT
Reversions to the State General Fund – FY12	23300	14300	34101	85300	\$15,236
Reversions to the Human Services Division – FY12	23300	92400	63000	05200	\$10,731
Transfers from Administrative Office of the Courts	21800	13900	23300	14300	\$204,814
Transfer from DFA – State General Fund Appropriation	34101	85300	23300	14300	\$5,827,400

**SUPPLEMENTARY FINANCIAL INFORMATION**



**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
NONMAJOR FUND - MEDIATION FUND  
BALANCE SHEET  
JUNE 30, 2012

	Mediation Fund
<b>ASSETS</b>	
Investment in the State Treasurer General Fund Investment Pool	\$48,929
Due from other funds	0
Due from other state agencies	0
<hr/>	
<b>Total assets</b>	<b>\$48,929</b>
<hr/>	
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Due to other agencies	\$0
Due to other funds (including negative cash balance)	0
Accounts payable	2,209
Accrued payroll	0
<hr/>	
<b>Total liabilities</b>	<b>2,209</b>
<hr/>	
<b>FUND BALANCE</b>	
Unreserved, Designated for future expenditures:	
Special Revenue Fund	46,720
<hr/>	
<b>Total fund balance</b>	<b>46,720</b>
<hr/>	
<b>Total liabilities and fund balance</b>	<b>\$48,929</b>
<hr/>	

The Notes to Financial Statements are an integral part of these statements.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT COURT  
NONMAJOR FUND - MEDIATION FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Mediation Fund
<b>REVENUES:</b>	
Other state funds - court fees	\$65,553
<i>Total revenues</i>	65,553
<b>EXPENDITURES:</b>	
<b>Current:</b>	
Contractual services	46,318
Other costs	15,579
<i>Total expenditures</i>	61,897
 <i>Net change in fund balance</i>	 3,656
Fund balance, beginning of year	43,064
<b><i>Fund balance, end of year</i></b>	<b>\$46,720</b>

The Notes to Financial Statements are an integral part of these statements.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT COURT  
NONMAJOR - MEDIATION FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Other state funds - court costs	\$50,000	\$50,000	\$65,553	\$15,553
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Contractual services	57,000	49,185	46,318	2,867
Other costs	8,000	15,815	15,579	236
<i>Total expenditures</i>	65,000	65,000	61,897	3,103
<i>Excess (deficiency) of revenues over expenditures</i>	(15,000)	(15,000)	\$3,656	\$18,656
Budgeted fund balance	15,000	15,000		
	\$0	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$3,656
Adjustments for current year reversions	0
Adjustment for unrealized gains - investments	0
<b>Net change in fund balance</b>	<b>\$3,656</b>

The Notes to Financial Statements are an integral part of these statements.

**OTHER SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT COURT  
AGENCY FUNDS**

**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2012**

	June 30, 2011	Additions	Deletions	June 30, 2012
<b>LITIGANTS FUND:</b>				
<b>ASSETS</b>				
Cash	\$2,496,629	\$3,422,757	\$3,839,181	\$2,080,205
Due from the State Treasurer	1,356	0	0	1,356
Due from general fund	2,444	29	2,200	273
<b><i>Total assets</i></b>	<b>\$2,500,429</b>	<b>\$3,422,786</b>	<b>\$3,841,381</b>	<b>\$2,081,834</b>
<b>LIABILITIES</b>				
Deposits held in custody of others	2,500,429	3,422,786	3,841,381	2,081,834
<b><i>Total liabilities</i></b>	<b>\$2,500,429</b>	<b>\$3,422,786</b>	<b>\$3,841,381</b>	<b>\$2,081,834</b>

The Notes to Financial Statements are an integral part of these statements.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
**SCHEDULE OF CASH / INVESTMENT ACCOUNTS**  
**JUNE 30, 2012**

	Type of Account	Per Bank Balance June 30, 2012	Reconciling Items	Reconciled Balance June 30, 2012
<b><u>Investment in the State Treasurer General Fund</u></b>				
<b><u>Investment Pool:</u></b>				
<b>GENERAL FUND</b>				
New Mexico State Treasurer	Checking	\$424,365	\$0	\$424,365
<b>OTHER FUNDS</b>				
New Mexico State Treasurer	Checking	215,330	0	215,330
New Mexico State Treasurer	Checking	48,929	0	48,929
<i>Total</i>		<b>\$688,624</b>	<b>\$0</b>	<b>688,624</b>
Petty Cash				100
<i>Balance per statement of net assets</i>				<b>\$688,724</b>
<b>AGENCY FUNDS</b>				
<b>Litigant's Fund:</b>				
New Mexico State Treasurer	LGIP	\$778,810	\$1,451	\$780,261
New Mexico State Treasurer-Reserve Contingency Fund	LGIP	272	(272)	0
Citizen's Bank	Savings	3,588	0	3,588
Bank of the West	Checking	1,307,715	(11,359)	1,296,356
<i>Total Litigant's Fund</i>		<b>\$2,090,385</b>	<b>(\$10,180)</b>	<b>\$2,080,205</b>

The Notes to Financial Statements are an integral part of these statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Mr. Hector H. Balderas, State Auditor and  
Honorable Douglas R. Driggers, Chief Judge  
State of New Mexico  
Third Judicial District Court  
Las Cruces, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparison for the general fund, and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplementary information of the Third Judicial District Court as of and for the year ended June 30, 2012, and have issued our report thereon dated December 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Third Judicial District Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 2012-01, 2010-02, and 2009-02. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Mr. Hector H. Balderas, State Auditor and  
Honorable Douglas R. Driggers, Chief Judge  
State of New Mexico  
Third Judicial District Court  
Las Cruces, New Mexico  
Page Two

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2009-04.

The Court's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Court's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, the New Mexico Department of Finance and Administration, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Kriegel/Gray/Shaw & Co., P.C.*

Kriegel/Gray/Shaw & Co., P.C.

December 5, 2012



**THIRD JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**CURRENT YEAR SIGNIFICANT DEFICIENCIES:**

**2012-01 Inadequate Implementation of Payroll Policy – Significant Deficiency**

**Statement of Condition** – While performing the test of internal controls over payroll, the following was noted:

- 11 of the 40 selected paychecks did not have time sheets to substantiate hours worked, or use of accrued compensations.
- 13 of the 29 (40-11) available time sheets were not approved.
- Three of the 29 available time sheets were approved by someone other than the employees' supervisor.
- Two of the 40 selected employees do not have supervisors to review time sheets.

**Criteria** – Good internal controls requires implementation of thorough policy to insure adequate payroll cycles, which include verifying hours worked and use of accrued compensation.

**Cause** – Inadequate implementation of payroll policy.

**Effect** – Allows for potential abuse of accrued compensation and regular compensation. For example, an employee takes vacation and does not reduce his/her accrued leave, or an employee receives compensation for hours he/she did not work. Both instances increase payroll expenditures and are considered misuse of funds.

**Recommendation** – Implement the payroll policy.

**Management's Response** – The Court Chief Executive Officer will promulgate a memo to staff clarifying and strengthening compliance with existing policies. All supervisors that supervise personnel are responsible to ensure that time sheets are prepared for every employee to document all time worked and leave taken. In addition, supervisors are being held responsible to approve time sheets for their assigned subordinates and approve the time worked or taken on SHARE as assigned. Time sheets and supporting documentation will be filed in the HR department.

All employees are currently assigned a supervisor. Documentation of reporting relationships is being verified on the TOOL in SHARE to make sure that all lines of authority are correctly and appropriately delineated.

**THIRD JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS:**

**2010-01 Inadequate Review of Daily Sales Reports – Significant Deficiency**

Resolved and not repeated.

**2010-02 Personnel Documentation Missing/Incomplete – Significant Deficiency**

Repeated with modifications.

**Statement of Condition** – While performing the test of internal controls over payroll, the following was noted:

- One of the 40 selected employee files did not have an I-9 form.
- One of the 40 selected employee files did not have a W-4 form.
- 25 of the 40 selected employee files did not contain authorized pay rates which corresponded to the pay received for a specific payroll cycle.

**Criteria** – Federal law requires I-9 Forms for all employees hired after November 6, 1986. Employers are also required to maintain a W-4 for each employee in order to guarantee withholdings for federal taxes are being properly calculated and remitted based on information provided by such employee. In addition, good internal controls require pay rates for each payroll cycle be consistent with authorized pay rates to insure employees are receiving the correct pay.

**Cause** – Oversight.

**Effect** – The organization could potentially incur fines as a result of not maintaining proper documentation and could potentially withhold improper amounts from employee wages because of both: the lack of a W-4 and no verification of pay rates.

**Recommendation** – All required documentation should be filled out completely by employee and employer.

**Management's Response** – I-9: The newly hired Human Resources Administrator is in the process of reviewing the I-9 Central Files/Binders to ensure that each court employee has a completed I-9 form which the Court has verified and signed, in compliance with the Immigration Reform and Control Act.

**Documentation of Authorized Pay Rate:** The Human Resources Administrator is ensuring that each new hire's pay rate and any pay rate changes for any current employee are properly documented with a Personnel/Position Action Request Form which contains the required approvals. This documentation is placed within the employee's personnel file. Personnel Action Request Forms are in the process of being prepared and approved to verify the pay rates of all other employees where such documentation is missing from the employee's personnel file. This final step has not been fully completed.

**THIRD JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED):**

**2010-04 Receivable/Revenue Not Recorded in Proper Fiscal Period – Significant Deficiency**

Resolved and not repeated in the current year.

**2009-02 Vacation/Sick Leave Reporting – Significant Deficiency**

Repeated.

**Statement of Condition** – Through our inquires of personnel and employee interviews, it was noted that the use of vacation/sick leave is not consistently and timely reported by the departments to payroll/HR.

**Criteria** – Good internal controls require timely and consistent reporting of leave time used by each department to control leave use and maintenance of leave records.

**Cause** – The departments are not providing timely consistent documentation to payroll/HR for leave use as it is approved.

**Effect** – Allows for potential abuse in which leave is taken without reduction of leave hours available and numerous corrections to leave records.

**Recommendation** – The Court should reiterate and enforce procedures that require department supervisors to approve and report leave to payroll/HR for all court employees.

**Management's Response** – Internal Operating Policy and Procedure No. 2011-015, signed by the Chief Judge on July 7, 2011 requires that: 1) Court Staff will enter any leave taken into the SHARE system; 2) Court Staff will enter comp time accrued into the SHARE system; and 3) the "flexing" of undocumented time will not be allowed. The Court is enforcing compliance with this policy by requiring that supervisors, responsible for reviewing and approving employee's time sheets, ensure that time sheets are correctly completed and that they reflect all actual leave taken. Supervisors are also required to verify that each exception (i.e. sick, vacation, extra hours worked, etc.) entered into a time sheet has the required form documentation, with required signatures to ensure that the exception has been correctly entered, verified and approved.

**THIRD JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED):**

**2009-04 Involuntary Terminations Not Paid in Accordance with Employment Law – Significant Deficiency**

Repeated with modifications.

**Statement of Condition** – While performing the test of terminated employees, we noticed that three of the six terminated employees did not receive their final pay in accordance with employment law.

**Criteria** – Employment law requires terminated employees receive their final pay five days after date of involuntarily termination.

**Cause** – SHARE and DFA controls are incompatible with state policy because they do not allow for quick and manual processing of pay.

**Effect** – Potentially, an employee can receive additional compensation because of noncompliance.

**Recommendation** – Implement a procedure that will insure terminated employees receive their final pay in accordance with employment law.

**Management's Response** – Unfortunately, due to SHARE and DFA controls, the court in most instances cannot comply with the stated law. The AOC HR has worked extensively with DFA to no avail. The DFA controls simply cannot accommodate this directive, rendering agencies unable to comply with the law.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT COURT**  
EXIT CONFERENCE  
JUNE 30, 2012

**EXIT CONFERENCE:**

The exit conference was held December 6, 2012 and was attended by the following:

**From Third Judicial District Court:**

Honorable Douglas R. Driggers, Chief Judge  
Norman Osborn, Acting Court Executive Officer  
Claude Bowman, Chief Finance Officer  
Bridgette Becerra, Human Resource Director  
Fran Jones, Financial Specialist Senior

**From Kriegel/Gray/Shaw & Co., P.C.:**

Debbie Gray, CPA/Shareholder  
Thomas Baker, Staff Auditor  
Mary Salameh, Staff Auditor

**FINANCIAL STATEMENT PREPARATION**

The auditing firm of Kriegel/Gray/Shaw & Co., P.C., with the aid of responsible Third Judicial District Court personnel, prepared the financial statements of the Third Judicial District Court as of and for the year ended June 30, 2012.